

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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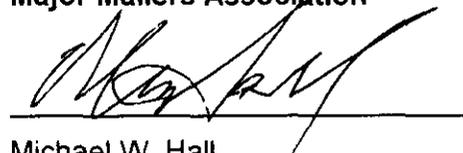
Docket No. R2001-1

**Major Mailers Association's First Set Of Interrogatories And Document
Production Requests To USPS Witness Leslie M. Schenk**

Pursuant to Rules 25 and 26 of the Commission's Rules of Practice, Major Mailers Association herewith submits the following interrogatories and document production requests to United States Postal Service witness Leslie M. Schenk: **MMA/USPS-T43-1-9**. If the designated witness is unable to answer any of these questions, please direct them to the appropriate witness who can provide a complete response.

Respectfully submitted,
Major Mailers Association

By:



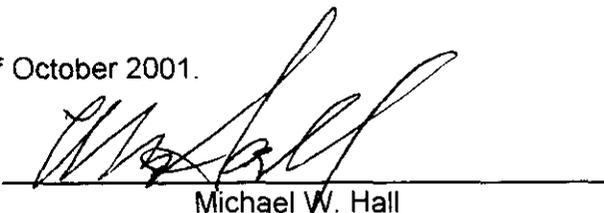
Michael W. Hall
34693 Bloomfield Road
Round Hill, Virginia 20141
540-554-8880
Counsel for
Major Mailers Association

Dated: Round Hill, VA
October 24, 2001

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing discovery request upon the United States Postal Service, the Designated Officer of the Commission, and participants who requested service of all discovery documents, in compliance with the Commission's Rules of Practice.

Dated this 24th day of October 2001.



Michael W. Hall

**Major Mailers Association's First Set Of Interrogatories And Document
Production Requests For USPS Witness Leslie M. Schenk**

MMA/USPS-T43-1 Please refer to page 10 of your Direct Testimony where you describe generally the basis for deriving First-Class and Standard Mail delivery costs, you indicate that you follow the same methodology used by USPS witness Daniel in Docket No. R2000-1, and you state that you are sponsoring Library Reference USPS-LR-J-117.

A. Please confirm that unit delivery costs shown in the table below are derived in your Library Reference USPS-LR-J-117 study in this case. If you cannot confirm, please make any corrections and explain why each such correction is necessary.

Comparison of USPS First-Class and Standard Mail Letter Delivery Costs

Rate Category	Delivery Costs		Difference FC - Std
	First Class	Standard	
Single Piece Letters:	6.037		
Nonautomation Letters:			
Nonautomation Presort Letters	5.933	4.368	1.564
Nonautomation Nonmachinable Mixed ADC	8.408	5.592	2.816
Nonautomation Nonmachinable ADC	8.408	5.592	2.816
Nonautomation Machinable Mixed AADC	4.066	3.847	0.219
Nonautomation Machinable AADC	4.066	3.847	0.219
Nonautomation Nonmachinable 3-Digit	8.408	5.592	2.816
Nonautomation Nonmachinable 5-Digit	8.408	5.592	2.816
Nonautomation Machinable 3-Digit	3.937	3.795	0.142
Nonautomation Machinable 5-Digit	3.937	3.795	0.142
Automation Letters:			
Automation Mixed AADC Letters	4.165	3.887	0.278
Automation AADC Letters	4.165	3.827	0.338
Automation 3-Digit Presort Letters	3.980	3.812	0.168
Automation 5-Digit Presort Letters	3.795	3.738	0.057

B. Please explain why delivery costs vary between First-Class letters and Standard letters. Be sure to include in your answer the impact that average weight and the number of pieces delivered to a post office box might have on First-Class and Standard Mail letter delivery costs.

- C. Please explain why the delivery costs vary between the rate categories within First-Class, including First-Class single piece. Please discuss the various cost drivers that affect delivery costs for the rate categories.
- D. Please confirm that unit delivery costs shown in the table below correctly compare your results to those of USPS witness Daniel in Docket No. R2000-1 (please note that the BMM delivery costs are estimated by USPS witness Miller (see Library Reference USPS-LR-J-60 at 1, USPS-T-22 at 20)). If you cannot confirm, please make any corrections and explain why each such correction is necessary.

**Comparison of USPS Letter Delivery Unit Costs
In Docket Nos. R2000-1 and R2001-1**

First-Class Category	Delivery Unit Costs in Cents		Difference R01-1 – R00-1
	R00-1	R01-1	
Single Piece Letters	5.362	6.037	0.675
BMM Letters	5.479	4.066	(1.413)
Nonautomation Presort Letters	5.479	5.933	0.454
Nonautomation Nonmachinable Mixed ADC		8.408	
Nonautomation Nonmachinable ADC		8.408	
Nonautomation Machinable Mixed AADC		4.066	
Nonautomation Machinable AADC		4.066	
Nonautomation Nonmachinable 3-Digit		8.408	
Nonautomation Nonmachinable 5-Digit		8.408	
Nonautomation Machinable 3-Digit		3.937	
Nonautomation Machinable 5-Digit		3.937	
Automation Mixed AADC Letters		4.165	
Automation AADC Letters		4.016	
Automation Basic Letters	4.319		
Automation 3-Digit Presort Letters	4.196	3.980	(0.216)
Automation 5-Digit Presort Letters	2.966	3.795	0.829
Automation 5-Digit Presort Letters (CSBCS/Manual Sites)	6.160	6.161	0.001
Automation Carrier Route Presort Letters	6.059	6.060	0.001
Source	USPS-LR-I-95 (rev)	USPS-LR-J-117	

- E. Please confirm that the unit delivery costs for First-Class single piece are expected to rise by .675 cents between TY 2001 and TY 2003. If you confirm, please explain why such costs are expected to rise by 12.6%

between TY 2001 and TY 2003. If you do not confirm, please provide the correct figures and explain the reason for such corrections.

- F. Please confirm that the unit delivery costs for First-Class Nonautomation presort letters are expected to rise by .454 cents between TY 2001 and TY 2003. If yes, please explain why such costs are expected to rise by 8.3% between TY 2001 and TY 2003. If you do not confirm, please provide the correct figures and explain the reason for such corrections.
- G. Please confirm that the unit delivery costs for First-Class Automation 3-digit presort letters are expected to decrease by .216 cents between TY 2001 and TY 2003. If yes, please explain why such cost go down by 5.1% between TY 2001 and TY 2003. If you do not confirm, please provide the correct figures and explain the reason for such corrections.
- H. Please confirm that the unit delivery costs for First-Class Automation 5-digit presort letters are expected to rise by .829 cents between TY 2001 and TY 2003. If yes, please explain why such cost are expected to rise by 28.0% between TY 2001 and TY 2003. If you do not confirm, please provide the correct figures and explain the reason for such corrections.
- I. Please confirm that the unit delivery costs for First-Class BMM letters are expected to decrease by 1.413 cents between TY 2001 and TY 2003. If yes, please explain why such costs are expected to go down by 25.8% between TY 2001 and TY 2003. If you do not confirm, please provide the correct figures and explain the reason for such corrections.
- J. For workshare letters, have you attempted to isolate the impact of presortation level on delivery costs? If yes, please explain how you accomplished this specifically addressing the effect that weight and p.o. box delivery has on delivery costs.
- K. Please explain how, if any, delivery operations differ between single piece First-Class letters and BMM letters, which causes the former to cost on average 50% more.
- L. Please refer to Library Reference USPS-LR-J-53. Please confirm that the test year volume estimate for metered mail letters is 17,006,096,000. If you cannot confirm, what is the estimated volume of metered mail letters in the test year?
- M. Please refer to Library Reference USPS-LR-J-53. Please confirm that the test year volume estimate for single piece letters is 43,018,465,000. If you cannot confirm, what is the estimated volume of single pieces letters in the test year?
- N. Please confirm that the test year volume estimate for stamped single piece letters is 43,018,465,000 letters – 17,006,099,000 letters =

26,012,366,000 letters. If you cannot confirm, please explain why not and state what the estimated volume of stamped single pieces letters in the test year is.

- O. Please confirm that the test year stamped single piece delivery cost can be estimated by using the volume information provided in parts L through N of this interrogatory, the unit delivery costs that you derive for First-Class single piece letters, and the First-Class metered mail unit delivery cost assumed by USPS witness Miller? For example, if the volume figures suggested in parts L through N of this interrogatory are correct, then the stamped single piece unit delivery cost can be computed as shown in the following table. If you cannot confirm, please provide an estimate of the stamped single piece unit delivery cost and support your answer.

Estimation of TY First-Class Stamped Letter Unit Delivery Cost

	First-Class Category	(1) TY Volume (000)	(2) TY Unit Del Cost (\$)	(3) TY Del Cost (\$000) (1) x (3)
[1]	Total Single Piece Letters	43,018,465	0.06037	2,596,938
[2]	Metered Letters	17,006,096	0.04066	691,468
[1] - [2]	Stamped Letters	26,012,369	0.07325	1/ ¹ 1,905,470
1/ Computed 1,905,470 / 26,012,369				

- P. Please explain why stamped letters cost 80% more than metered letters for delivery service.
- Q. Please confirm that letters delivered to a post office box completely bypass carrier route sequencing operations and out-of-office delivery costs. If you cannot confirm, please explain why not.
- R. Please confirm that your delivery cost estimate for single piece letters assumes that 33% of all single piece letters will be delivered to a post office box. (See Library Reference USPS-LR-J-117, , worksheet "Delivery Volumes.") If you cannot confirm, please explain why not.
- S. Please confirm that your delivery cost estimate for presorted letters assumes that 13% of all presorted letters will be delivered to a post office box. (See Library Reference USPS-LR-J-117, , worksheet "Delivery Volumes.") If you cannot confirm, please explain why not.

- T. If only 13% of single piece letters were delivered to a post office box, would the delivery cost for these pieces be higher or lower than the 6.037 cent estimate you derived? Please explain your answer.
- U. Please estimate the average delivery cost for only those single piece letters that are actually delivered. For purposes of this interrogatory request, letters that are delivered to a post office box should be removed from the analysis.
- V. Please estimate the average delivery cost for only those presorted letters that are actually delivered. For purposes of this interrogatory request, letters that are delivered to a post office box should be removed from the analysis.

MMA/USPS-T43-2 Please refer to Library Reference USPS-LR-J-117, worksheet "summary BY."

- A. Please fully explain your methodology for deriving costs for sub-segment 6.1 (City Carrier In-Office Labor) for single piece letters.
- B. Please fully explain your methodology for deriving costs for sub-segment 6.1 (City Carrier In-Office Labor) for presorted letters.

MMA/USPS-T43-3 Please refer to Library Reference USPS-LR-J-117 worksheets "summary TY" and "letters 93."

- A. Please explain why, on worksheet "summary TY", Line 29, Column A, shows the "nonDPS unit cost (FY93 LIOCATT Costs wage rate adjusted to FY01 dollars)", rather than TY03 dollars.
- B. Please explain why, on worksheet "letters 93", footnote 9 refers to the "FY98 wage rate", rather than the Base Year 2000 wage rate. Please provide the specific source, including the exact page and line number, for the FY98 wage rate of \$27.74. What is the relevance of this wage rate in this case?
- C. Please explain why, on worksheet "letters 93", footnote 10 refers to the "FY01 wage rate", rather than the TY03 wage rate. Please provide the specific source, including the exact page and line number of USPS-T-12, for the FY01 wage rate of \$32.62.
- D. Please explain why, on worksheet "letters 93", columns [6] and [7] are ratioed unit cost for \$FY98 and \$FY01, respectively. What is the relevance to FY98 and FY01 in this case?
- E. Please explain how the following factors impact your use of FY 93 data as the basis for the ratioed unit costs in columns [6] and [7] of "letters 93."

1. Change in mail mix between FY 93 and the test year in this case;
 2. Inclusion of zip+4 letters which no longer exist; and
 3. Change in the relative volumes delivered by carrier and the volumes delivered to post office boxes.
- F. Is column [4] of worksheet "letters 93" the total volume of letters or the total volume of letters processed by those routes covered in columns [1] and [2]?
- G. Please provide for FY 93 the volumes by rate category as shown in column [4] of worksheet "letters 93."

MMA/USPS-T43-4 Are the costs associated with placing letters into a post office box considered mail processing, in-office delivery, or out-of-office delivery costs? Please explain. If such costs are mail processing, then is it true that the delivery cost for a letter that is delivered to a post office box is zero by definition? If no, please explain.

MMA/USPS-T43-5. Please refer to Library Reference USPS-LR-J-117, worksheets "summary BY" and "Delivery Volumes."

- A. Please confirm that you project 13% of total First-Class presorted letters will be delivered to post office boxes. If you cannot confirm, please explain.
- B. Please confirm that you project 33% of total First-Class single piece letters will be delivered to post office boxes. If you cannot confirm, please explain.
- C. Please confirm that for each category within First-Class presorted letters, you project that 13% of the letters will be delivered to post office boxes. If you cannot confirm, please explain.
- D. What is the basis for your assumption that the delivery characteristics that constitute total presorted letters can be broken down proportionally to each of the 14 separate rate categories within First-Class presorted letters, particularly when the volumes for most of those categories are quite small compared to Automation 3-digit and 5-digit? Please support your assumption that the delivery characteristics exhibited by total presorted volumes will be shared proportionally for each of the 8 subcategories you list for non-automation letters.
- E. Please explain how, for First-Class presorted mail, the total of rural route parcels (1,872) plus the total city carrier parcels (15,215) is greater than the RPW total parcels (9,980).

MMA/USPS-T43-6 Please refer to USPS-LR-J-117, worksheet "summary BY."

- A. Do you agree that the unit cost incurred by city carriers to deliver a First-Class single piece letter is 10.22 cents? [Divide the piggybacked total city delivery costs by the single piece city delivery letter volume from worksheet "Delivery Volumes."] If you cannot confirm, please explain why not and provide the correct unit cost.
- B. Do you agree that the unit cost incurred by city carriers to deliver a First-Class presorted letter is 4.56 cents? [Divide the piggybacked total city delivery costs by the presorted city delivery letter volume from worksheet "Delivery Volumes." If you cannot confirm, please explain why not and provide the correct unit cost.
- C. Do you agree that the unit cost incurred by rural carriers to deliver a First-Class single piece letter is 3.07 cents? [Divide the piggybacked segment 10 costs by the single piece rural delivery letter volume from worksheet "Delivery Volumes."] If you cannot confirm, please explain why not and provide the correct unit cost.
- D. Do you agree that the unit cost incurred by rural carriers to deliver a First-Class presorted letter is 3.12 cents? [Divide the piggybacked segment 10 costs by the presorted rural delivery letter volume from worksheet "Delivery Volumes."] If you cannot confirm, please explain why not and provide the correct unit cost.
- E. If you can confirm parts A through D, please explain why it costs more than twice as much for a city carrier to deliver an average First-Class single piece than an average presorted letter, but it costs about the same for a rural carrier to deliver such pieces.

MMA/USPS-T43-7. Please refer to USPS-LR-J-117, worksheet "letters 93."

- A. Please confirm that columns [1] through [3] provide the costs to process nonDPSed letters. If you cannot confirm, please explain.
- B. Please confirm that column [4] provides total volumes for the respective rate categories, including volumes delivered to a post office box that did not incur the costs shown in columns [1] through [3]. If you cannot confirm, please explain.
- C. Please provide the corresponding FY 93 First-Class volumes for each rate category that were delivered by:
 - 1. City carriers;
 - 2. Rural carriers; and, implicitly,
 - 3. To post office boxes.

MMA/USPS-T43-8. Please refer to USPS-LR-J-117, worksheet "summary BY."

- A. Please confirm that when you deaverage the unit delivery costs for the various rate categories within presorted First-Class, the cost driver specifically for City Carrier In-Office labor costs, segment 6.1, is the percent of letters sorted to delivery point sequence (DPS) by automation. If you cannot confirm, please explain.
- B. Please confirm that as shown in your column B (%DPS) machinable letters are much more likely to have a higher %DPS, resulting in a much lower segment 6.1 unit cost, as shown in column C. If you cannot confirm, please explain.
- C. Please confirm that all workshare automation letters are required to be machinable. If you cannot confirm, please explain.
- D. Please confirm that because workshare automation letters are required to be machinable, they have a very high probability of being DPS sorted, all things being equal. If you cannot confirm, please explain.
- E. Please confirm that according to your data shown in column B, the DPS percentage increases as the level of presort increases, when automation is available in the delivery office. If you cannot confirm, please explain.
- F. Please confirm that the Postal Service has no actual data that provides the DPS percentage by First-Class rate category, and that the only DPS percentages that the Postal Service has are theoretical estimates provided by USPS witness Miller's mail flow models? If you cannot confirm, please explain. If the Postal Service has actual data, please provide that data for the base year in this case and the previous 5 annual periods.
- G. What is the DPS percentage for all First-Class single piece letters? Please support your answer.
- H. Please confirm that metered mail letters have no prerequisite requirements or regulations that require it to be machinable, yet the Postal Service estimates that it's DPS percentage is virtually the same as non-automation machinable letters, automation mixed AADC, automation AADC, and automation 3-Digit. If you cannot confirm, please explain.
- I. Are metered letters, which make up approximately 40% of single piece letters, more likely to take on the delivery characteristics, of single piece letters or more likely to take on the delivery characteristics of presorted, machinable, non-prebarcoded mixed AADC letters. Please explain your answer and be sure to discuss the fact that the volume of metered letters outnumbers presorted, machinable, non-barcoded, mixed AADC letters by about 30 to 1.

MMA/USPS-T43-9. Please refer to USPS-LR-J-117, worksheets "summary BY" and "summary TY". In worksheet "summary BY" you show that the unit cost to

deliver nonDPSed letters is 2.65 cents and the cost to deliver DPSed letters is .5 cents each. In worksheet "summary TY" these two cost figures are 3.11 cents and .5 cents, respectively.

- A. Please state precisely what is meant by each of these four average cost figures, including the time period and precise operations that are covered by each cost.
- B. Do these figures take into account that, for presorted letters, 13% of the pieces were delivered to post office boxes in the base year? Would these figures change if, in the test year, the percentage of pieces delivered to post office boxes were to, say, double?
- C. Please explain why the average unit cost to deliver nonDPSed letters is expected to increase by 17% between the base year and test year, but that the average unit cost to deliver DPSed letters is expected to remain the same.